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STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2016-17)

SIXTEENTH LOK SABHA

MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

[*Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fifth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2016-17)'*]

THIRTY-SECOND REPORT

LOK SABHA SECRETARIAT
NEW DELHI

December, 2016/Agrahayana, 1938 (Saka)

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SIXTEENTH LOK SABHA

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[*Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fifth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2016-17)'*]

Presented to Lok Sabha on 16 December, 2016
Laid in Rajya Sabha on 16 December, 2016

LOK SABHA SECRETARIAT
NEW DELHI

December, 2016/Agrahayana, 1938 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2016-17)

Shri Anurag Singh Thakur - Chairperson

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3. Shri Prasun Banerjee
*4. Shri Harish Dwivedi
5. Dr. Sunil Gaikwad
6. Shri Hemant Tukaram Godse
7. Dr. Anupam Hazra
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12. Shrimati Hema Malini
13. Shri Keshav Prasad Maurya
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15. Shri Raosaheb Danve Patil
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17. Dr. (Shrimati) Bharati Shiyal
18. Shri Abhishek Singh
19. Shri D.K. Suresh
20. Shri Ramdas Tadas
21. Shrimati R. Vanaroja

Rajya Sabha

22. Shrimati Jaya Bachchan
23. Shri P. Bhattacharya
24. Shri Suresh Gopi
25. Shri Prabhat Jha
26. Shri Santiuse Kujur
27. Shri Derek O'Brien
28. Shrimati Kahkashan Perween
29. Dr. K.V.P. Ramachandra Rao
30. Dr. Vinay P. Sahasrabuddhe
31. Shri Sachin Ramesh Tendulkar

Secretariat

1. Shri R.S. Kambo - Additional Secretary
2. Shri Y.M. Kandpal - Director
3. Dr. Sagarika Dash - Additional Director
4. Shri Shangreiso Zimik - Under Secretary

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* Nominated to the Committee w.e.f. 19.10.2016 *vide* Bulletin Part-II dated 19.10.2016.

INTRODUCTION

I, the Chairperson, Standing Committee on Information Technology (2016-17), having been authorised by the Committee, do present the Twenty-second Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fifth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2016-17)' of the Ministry of Electronics and Information Technology.

2. The Twenty-fifth Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on 3rd May, 2016. The Ministry of Electronics and Information Technology furnished their Action Taken Notes on the Observations/Recommendations contained in the Twenty-fifth Report on 5th December, 2016.

3. The Report was considered and adopted by the Committee at their sitting held on 15th December, 2016.

4. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold in Chapter-I of the Report.

5. An analysis of Action Taken by the Government on the Observations/Recommendations contained in the Twenty-fifth Report of the Committee is given at Appendix-II.

New Delhi;
15 December, 2016
24 Agrahayana, 1938 (Saka)

Anurag Singh Thakur,
Chairperson,
Standing Committee on
Information Technology.

CHAPTER I

REPORT

This Report of the Standing Committee on Information Technology deals with the action taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fifth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2016-17)' relating to the Ministry of Electronics and Information Technology.

2. The Twenty-fifth Report was presented to Lok Sabha/laid in Rajya Sabha on the 3rd May, 2016. It contained 16 Observations/ Recommendations.

3. Action Taken Notes in respect of all the Observations/Recommendations contained in the Report have been received from the Ministry of Electronics and Information Technology and are categorized as under:-

(i) Observations/Recommendations which have been accepted by the Government
Rec. Sl. Nos.:- 1, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government
Rec. Sl. No.: Nil

(iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and require reiteration
Rec. Sl. Nos.:- 2 and 16

(iv) Observations/Recommendations in respect of which the reply of the Government are of interim in nature
Rec. Sl. Nos.:- 4

4. The Committee trust that utmost importance would be given to implementation of the Observations/Recommendations accepted by the Government. The Committee further desire that Action Taken Notes on the Observations/Recommendations contained in Chapter-I and final action take

replies to the Observations /Recommendations contained in Chapter-V of this Report should be furnished to them at an early date.

5. The Committee will now deal with action taken by the Government on some of their recommendations.

Budget Analysis

(Recommendation Sl. Nos. 1, 5, 8 and 14)

6. The Committee, in their Original Report, had recommended as under:-

> "The Budget Estimate (BE) allocation of DeitY for the year 2016-17 is Rs.3328.82 crore which includes Rs.3200 crore under Plan and Rs.128.82 crore under Non-Plan segment. In the year 2015-16, against the enhanced RE allocation of Rs.2700 crore, the Department could achieve decent utilization of the order of Rs.2521.75 crore up to March, 2016. An analysis of trend of expenditure in this financial year indicates that major fund utilization was done in the month of March, i.e., in the closing month of Annual Plan period. The Committee do take note of some of the technical factors responsible for the same. However, as a matter of general principle and financial prudence, the 'March rush' of expenditure needs to be avoided. The Committee hope the Department would take due care in the Annual Plan year 2016-17 to address this concern of the Committee.
>
> The Committee understand that all the Plan schemes of DeitY have been rationalized into five umbrella schemes, namely, National Informatics Centre (NIC), Unique Identification Authority of India (UIDAI), which stand transferred to DeitY as an Attached Office, Regulatory Authorities, Digital India Programme and Assistance to Autonomous and Other Bodies with effect from the Financial Year 2016-17. A scrutiny of allocation made under Plan schemes shows that the approved GBS has been grossly downsized, leaving a yawning gap between the proposed and the approved GBS. This, indeed, is a matter of grave concern to the Committee. For example, under the Digital India Programme, which is one of the flagship programmes of the Government of India, a sum of Rs.1282.00 crore only has been provisioned as against the demand of Rs.5778.07 crore. As would be seen in the subsequent pages of this Report, reduced allocation under this head has significant impact on execution of various components of this scheme. The Department have stated that on account of the overall reduction of DeitY Budget, allocation made under Plan schemes has been adversely affected. The Committee have been informed that DeitY have asked for additional funds of Rs.1500 crore to meet the minimum requirement during the financial year 2016-17. The Committee endorse the demand of the Department for allocation of additional funds for the current fiscal year. The Committee also desire that DeitY need to have adequate budget in the

coming Plan years because this Department are implementing some of the schemes/programmes which are central to the building of a technologically empowered society to take a lead in the global digital economy.

(Recommendation No. 1)

Unique Identification Authority Of India (UIDAI)

UIDAI is a transformational initiative that includes establishing identity infrastructure for providing unique digital identity in the form of Aadhar number to its residents. The Committee note that UIDAI was earlier with NITI Aayog but from September 2015 onwards, it has been shifted under the Ministry of Communications and Information Technology, Department of Electronics and Information Technology, as an Attached Office. Aadhar enrolment is undertaken on voluntary basis and is an ongoing activity. A target of universal enrolment is being pursued but till 15th March, 2016, a total of 99.20 crore Aadhar have been generated out of total population of 121.07 crore (Census 2011) which has already crossed hundred crore mark. Although it is an ongoing process, one round of completion of enrolment is targeted in March, 2017. A look at the financial performance of the scheme shows that the utilization of funds under the scheme has been consistently above 80% with respect to RE. During the year 2015-16, as against the budgetary allocation of Rs.1916.43 crore at the RE stage, the Actual Expenditure has been to the tune of Rs.1606.63 crore. The Committee have been informed that for the year 2016-17, an amount of Rs.800 crore has been allocated to the scheme. Regarding the adequacy of funds during the current FY, the Department have stated that the BE projection for UIDAI was Rs. 1468.23 crore as the Department had estimated an amount of Rs.731.00 crore to meet enrolment, printing and dispatch cost for approximately 20 crore enrolment (1.5 to 2 crore Aadhaar is proposed to be issued every month) in the next FY 2016-17 and an amount of Rs.127 crore and Rs.176.00 crore for the committed and contractual expenditure such as cost of technology operations and procurement of machinery & equipment, etc. A provision of Rs.70 crore had also been proposed for construction of UIDAI headquarters buildings which is already underway, along with provision of Rs.100 crore for establishment related expenditure. In view of this, the current budgetary allocation of Rs.800 crore will not be sufficient to meet the requirement. Further, the Committee note that UIDAI is fully prepared to undertake the task of the first round of enrolment by 2017. During the evidence, the representative of UIDAI also informed the Committee that they have 3.32 lakh certified operators throughout the country and enrolment is going on in 30,000 centres. As on date, 6 lakh enrolment is being made per day. As UIDAI targets to complete the enrolment, at least the first enrolment by 2017, another Rs.600 crore will be required to meet the expenses. Also, UIDAI needs funds to meet the updation activity (such as the newly born children who will cross 5 years and reach 15 years of age whose fingerprints change over time), which will continue. Keeping in view the fact that the Actual Expenditure under the scheme has been consistent and UIDAI Plan to

achieve the first phase of enrolment by 2017, the Committee desire that allocations to UIDAI may suitably be enhanced to meet the requirement so that the projected targets as per BE proposal 2016-17 are not affected. The Committee further note that with Aadhar enrolment assuming much importance in light of the Aadhar Act being passed, the privacy and security concerns need to be addressed. The Committee have been informed that the Act has in-built clauses to deal with security and privacy of individuals. The Committee desire that requisite steps be taken alongside the provisions of the Act to address security and privacy issues.

(Recommendation No. 5)

Digital India Programme

The Digital India Programme is an umbrella programme which amalgamated all the ongoing Schemes/Programmes/Projects being implemented by DeitY. It weaves together a large number of ideas and thoughts into a single, comprehensive vision so that each of them can be implemented as part of a larger goal. The various components of the programme include manpower development, Electronic Governance, E-Governance, National Knowledge Network, Promotion of Electronics & IT Hardware Manufacturing, Promotion of IT&ITES Industries and R&D in IT/Electronics/CCBT. The Committee note that as against the proposed estimate of Rs.5778.07 crore, a sum of only Rs.1282.00 crore has been provided under this programme. The Department have, however, requested the Ministry of Finance to provide additional allocation of Rs.1500 crore to meet the bare minimum requirement during FY 2016-17.

(Recommendation No. 8)

National Knowledge Network (NKN)

The Committee note that the National Knowledge Network was approved in the year 2010 with an objective to inter-connect all knowledge institutions across the country through high speed data communication network to encourage sharing of resources and collaborative research. This would cover about 1500 institutions comprising all universities, institutions of higher learning and research. During the year 2014-15, an allocation of Rs.300 crore had been made at the BE and RE stage which was utilized optimally. In the year 2015-16, an allocation of Rs.150 crore had been made at the BE stage which was increased to Rs.214 crore at the RE stage. Out of this, the Actual Expenditure has been to the order of Rs.150 crore as on 07.03.2016. The Committee observe that under the NKN Programme, the projection for FY 2016-17 was to the tune of Rs.1000 crore against which the approved allocation is only Rs.250 crore. The Department have informed that the allocated amount would not be sufficient even to meet the yearly recurring expenses to sustain the NKN project and they would like to seek additional grants at the supplementary stage. The Committee note that ad-hocism in allocation of Plan funds and taking recourse to asking for funds at the supplementary grants stage has been a recurring phenomenon under the scheme of NKN. As far as the physical targets are concerned, the Committee note that 1580 links have been

commissioned and made operational. This includes 378 links to institutions under NMEICT, which have been migrated to NKN. During the FY 2015-16, a total of 176 institutions have been connected which include 13 institutions migrated from NMEICT. NKN connectivity has also been extended to 447 NIC district centers. 94 numbers of Core Links have been commissioned and operationalised. 66 Virtual Classrooms have also been set up under NKN. For the successful implementation of NKN, adequate budgetary provision is indispensable, failing which the scheme will not be able to achieve its objective. This is also evident from the concerns expressed by the Secretary, DeitY, who had informed the Committee that under NKN the achievement has been 93% of expenditure and the Department were trying hard to get re-appropriation at the last moment which did not materialize. In the case of the National Knowledge Network, there is a deficit of Rs.300 crore and the Ministry of Finance are now seriously thinking to delegate re-appropriation for NKN liability. Pending the final decision of the Ministry of Finance regarding delegated re-appropriation, the Committee desire that the Ministry should ensure additional grants for the NKN programme for FY 2016-17 so that it is able to achieve its objective of collaborative research and transforming the country into a Knowledge Society."

(Recommendation No. 14)

7. The Ministry of Electronics and Information Technology, in the action taken note, have stated as under:-

"The Department has already taken up the matter with Ministry of Finance. A proposal for Cash Supplementary Grant of ₹ 2166 crore was also submitted to Ministry of Finance in the 1st Batch of Supplementary Demands for Grants (Aug 2016). However, the Department has received only ₹ 290 crore as Cash Supplementary Grant against the above demand. The matter was further taken up with Ministry of Finance in Revised Estimates 2016-17. However, as per the Pre-Budget discussions held under the chairmanship of Secretary(Expenditure) on 27.10.2016, no additional grant is likely to be allocated in Revised Estimates 2016-17.

(Reply to Recommendation No. 1)

Subsequent to the publication of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act 2016, in the Official Gazette for general information, the Government is in the process of notifying various sections relating to security and privacy related aspects. Sections relating to offences and penalties, which will govern any contraventions of the other provisions of the Act will also e notified in due course. Further, the requisite Rules and Regulations including those which govern security and privacy aspects of information collected, which form part of the subordinate legislation under the Act, are under preparation.

(Reply to Recommendation No. 5)

It is a fact that Ministry of Finance was initially requested for an additional allocation of ₹ 1500 crore to meet the bare minimum requirement during FY 2016-17. Since any additional fund can only be granted through Supplementary Demands for Grants, a proposal for grant of ₹ 2166 crore as additional grants for various programmes was submitted to Ministry of Finance in the 1st batch of Supplementary Demands for Grants. However, an additional grant of ₹ 290 crore was approved in this batch of Supplementary Demands (₹ 190 crore for UIDAI and ₹ 100 crore for NIC). The matter was further taken up with Ministry of Finance in Revised Estimates 2016-17. However, as per the Pre-Budget discussions held under the chairmanship of Secretary(Expenditure) on 27.10.2016, no additional grant is likely to be allocated in Revised Estimates 2016-17.

(Reply to Recommendation No. 8)

Ministry of Finance was requested to provide additional grants in the 1st batch of Supplementary Demands for Grants 2016-17. However, Ministry of Finance turned down the proposal with the suggestion that the matter may be taken up at RE stage. The matter was further taken up with Ministry of Finance in Revised Estimates 2016-17. However, as per the Pre-Budget discussions held under the chairmanship of Secretary(Expenditure) on 27.10.2016, no additional grant is likely to be allocated in Revised Estimates 2016-17."

(Recommendation No. 14)

During the examination of Demands for Grants (2016-17), the Committee had noted that the Gross Budgetary Support (GBS) allocation to the Ministry of Electronics and Information Technology for the Plan Schemes had been grossly downsized leaving a yawning gap between the proposed and the approved GBS. While observing that the allocation made under Plan Schemes have been adversely affected due to overall reduction of MeitY budget and the Ministry are implementing some of the crucial schemes/programmes which are central to building a technologically empowered society, the Committee had desired that the Ministry need to have adequate budget in the coming Plan years. From the Action Taken Note furnished by the Ministry, the Committee note that a proposal for grant of Rs.2166 crore as additional grants for various programmes was submitted to Ministry of Finance in the first batch of Supplementary Demands for Grants. However, an additional grant of Rs.290 crore only consisting of Rs.190 crore for UIDAI and Rs.100 crore for NIC was approved in the first batch of Supplementary Demands. The matter was further taken up with Ministry of Finance in Revised Estimates 2016-17. However, the Committee understand as

per the Pre-Budget discussion held under the Chairmanship of Secretary, Expenditure on 27.10.2016 no additional grant is likely to be allocated in Revised Estimates 2016-17. The Committee are of the view that the amount of Rs.290 crore approved in the Supplementary Grants is grossly inadequate which will have an adverse impact on execution of various Plan schemes of the Ministry. The Ministry are implementing some of the important Plan schemes such as National Informatics Centre (NIC), Unique Identification Authority of India (UIDAI), Digital India Programme, National Knowledge Network (NKN), National Digital Literacy Mission, State Data Centres, etc. which need adequate fund for their successful implementation. The Committee note that the BE projection for UIDAI alone was Rs.1468.23 crore, against which, an amount of Rs.800 crore had been allocated at BE. Even in case of NIC, an amount of Rs.800 crore only had been allocated at BE against the proposed amount of Rs.1182 crore during 2016-17. What is disquieting to note is that against the huge requirement of funds, an amount of only Rs.190 crore for UIDAI and Rs.100 crore for NIC have now been considered for allocation at Supplementary Grants stage which is no doubt a matter of serious concern. No additional funds have been allocated for other important Plan schemes *viz.* Digital India Programme, National Knowledge Network, etc. at the Supplementary Grants stage and no additional grant is likely to be allocated in Revised Estimates 2016-17 for these Plan schemes. The reluctance of the Ministry of Finance to allocate appropriate funds for implementation of various important Plan schemes especially like Digital India Programme stands contrary to avowed aim of the Government to build a technologically empowered society and digital economy and at the same time it reflects failure of the Ministry in convincing and impressing upon the Ministry of Finance regarding the urgency of funds for these schemes. Keeping in view that the Ministry are implementing some of the flagship Plans and programmes which are crucial to digitally empower the economy and society, the Committee desire that the Ministry should make continued and sustained efforts to get sufficient funds for these schemes.

Position of Outstanding Utilization Certificates

(Recommendation Sl. No. 2)

9. The Committee, in their Original Report, had recommended as under:-

"The Committee note that a large number of Utilization Certificates (UCs) are pending with the implementing agencies in respect of various schemes of the Department. While a total number of 133 UCs amounting to Rs.276.64 crore are pending for the sanction period 1.04.2001 to 31.03.2014, for the sanction period from 1.04.2001 to 31.03. 2016, the number of UCs stand at 876 amounting to a huge sum of Rs.2435.81 crore. The Department have informed that out of the 133 UCs, 94 UCs amounting to Rs.266.82 crore (96%) of the pending amount pertain to the e-Governance scheme alone. Regarding reasons for such a large number of pending UCs, the Department have informed that e-Governance activities have a relatively longer gestation period due to stringent requirement including civil and electrical construction, hardware software development, business process reengineering, etc. Programme activities are undertaken by the Department in co-ordination with the State Governments. However, e-Governance is an emerging sector and availability of trained personnel is limited. In spite of maximum possible support to address the issues, the implementation of the NeGP projects have been impacted. The Committee also note that in order to reduce the number of UCs and hold the implementing agencies accountable, the Department have taken several measures which *inter alia* include insisting on submission of UCs before release of subsequent installment, accounting the unspent balance and interest before release of next installment, meeting of group co-ordinators concerned with grantee institutions, Secretary-level review of pending UCs from time to time, Quarterly review meetings of State IT Secretaries etc. The Department have also informed that UCs are submitted on the basis of GFR instructions and care is taken to ensure that accrued interest is accounted for. Though the Department have stated that they have been making earnest efforts to expedite implementation of various schemes and programmes, the non-release of money to several schemes due to non-submission of UCs points to the fact that UCs are acting as a hurdle in the effective implementation of the schemes. The Committee feel that the continuous pendency of UCs from the implementing agencies is an undesirable trend which needs to be avoided as it directly affects the performance of the schemes, especially e-Governance Schemes. The Department have been running several flagship schemes and programmes as per policy decision to achieve the targets within the stipulated time frame. However, as the UCs have a direct bearing on the release of funds, this affects the outcome of Government schemes and policies as a whole. The Department need to take the issue of pending UCs more seriously and workout a mechanism to procure the UCs from the implementing agencies. The Department's approach need to be more pragmatic and proactive rather than leaving it to the implementing agencies because the ultimate onus of the successful implementation of the

schemes and thereby the policy decision of the Government lies with the Department."

10. The Ministry of Electronics and Information Technology, in the action taken note, have stated as under:-

> "The Committee has rightly said that UCs have a direct bearing on the release of funds which affects the outcome of Government schemes and policies as a whole. This is the reason why the Department is vigorously making efforts for obtaining the pending UCs through one-to-one meetings with defaulting agencies. The Project Review and Steering Group (PRSG) has been reviewing the projects from time to time to ensure that no project is delayed or remain unimplemented due to non-release of grants in view of pending UCs, etc."

11. **The Committee had noted that a large number of Utilization Certificates (UCs) are pending with the implementing agencies in respect of various schemes of the Ministry. The non-release of money to several schemes due to non-submission of UCs have acted as hurdle in the effective implementation of the schemes. Observing that submission of UCs have a direct bearing on the timely release of funds and affects the outcome of Government schemes and policies as a whole, the Committee had recommended that the Ministry need to take the issue of pending UCs more seriously and work out a mechanism to procure the UCs on time from the implementing agencies. The Committee have been informed that vigorous efforts are being made for obtaining the pending UCs through one-to-one meetings with defaulting agencies. The Project Review and Steering Group (PRSG) has been reviewing the projects from time to time to ensure that no project is delayed or remain unimplemented due to non-release of grants in view of pending UCs, etc. The information furnished by the Ministry on the status of Utilization Certificates (UCs) pending with the implementing agencies in respect of various schemes indicates that the aforesaid measures taken by the Ministry is having little impact in liquidation of pending UCs. This can be clearly gauged from the fact that a total number of 133 UCs amounting to Rs.276.64 crore are pending for the sanction period 1.04.2001 to 31.03.2014, for the sanction period from 1.04.2001 to 31.03. 2016, the number of UCs stand at 876 amounting to a huge sum of Rs.2435.81 crore. The Committee hope that more UCs must have been sanctioned by now. Considering that the non-release of money to several schemes due to non-submission of UCs are acting as a hurdle in the effective implementation of the schemes, the Committee once again reiterate their earlier**

recommendation and urge the Ministry to take the issue of pending UCs more seriously. The Committee urge the Ministry to resort to more pragmatic and proactive approach for reconciliation of UCs and timely settlement of all UCs pending with the implementing agencies.

Promotion of IT & ITeS Industries

(Recommendation Sl. No. 16)

12. The Committee, in their Original Report, had recommended as under:-

"The Committee note that the Indian Information Technology (IT) - Information Technology Enabled Services (ITES) sector has registered tremendous growth over the past decade, achieving iconic status all over the world, and a reputation for reliable and cost-effective delivery of IT services. India continued as the world's no. 1 sourcing destination with a share of 56% in 2015. India's share in the global IT services outsourcing and ITES/BPO has reached upto 67% and 38%, respectively. It is essential to maintain this momentum because of the huge potential of IT-ITES sector in terms of economy as well as employment generation. Under the broad framework of promotion of IT & ITeS industries initiative, the Software Technology Parks of India (STPI) had been set up in the year 1991 with the objective to promote the development and export of software and software services, including information technology enabled services/ Bio-IT, to provide statutory and other promotional services to exporters through Software Technology Parks and the Electronics and Hardware Technology Parks (EHTP) schemes. The phenomenal success of the IT-ITES industry has been possible, inter-alia, due to the pivotal role played by the STP Scheme and fiscal benefits provided under Section 10A of the Income Tax Act. The fiscal benefits were available upto 31-03-2011. The Committee are given to understand that non-availability of Income Tax benefits under Section 10A of IT Act beyond 01.04.2011 for STP units has adversely affected the competitive edge of these units, especially with respect to the Micro Small and Medium Enterprise (MSME) units. In the absence of tax benefits, the registration of new STP units has decreased and the number of STP units exiting/de-bonding from the STP Scheme has increased year-on-year. As a result, the total number of exporting STP units has been reduced to almost 50% from 5565 STP units in 2010-11. The above fact has further been corroborated by the representatives of the Department and STPI, Bhubaneswar, when the Committee had undertaken a study visit to STPI, Bhubaneswar. The Committee are given to understand that a study had been conducted by M/s. Deloitte in 2012 to assess the impact of withdrawal of Income Tax benefit and suggest the way forward to mitigate the impact of withdrawal of tax benefit (Section 10A of IT Act) to STP units. The study had recommended Performance Linked Incentive Scheme for STP Units to mitigate this impact. As the matter regarding incentive to mitigate the impact of withdrawal of tax benefit for STPI was taken up through EFC, the Planning

Commission (erstwhile) had taken the view that the appropriate route is through Income Tax exemptions which, if the Govt so wish, can be brought in during the Budgetary Exercise. However, no GBS should be provided for export incentives as it would lead to multiple demands since the exchange rate provides enough incentives. In line with the above suggestion, DeitY had taken up the matter regarding restoration of fiscal incentive to new STP units for a period of 5 years through Income Tax exemption under Section 10 A of the Income Tax Act in 3 Union Budgets repeatedly but the proposal has not been agreed to. The Committee observe that the withdrawal of fiscal benefits have adversely affected the small and medium businesses. During the year 2016-17, as against the proposed outlay of Rs.543 crore, an allocation of Rs.5 crore has been made at the BE stage 2016-17 for this scheme. Owing to reduction of funds and its likely impact on the achievement of targets under the scheme, the Department have stated that the BPO Promotion Schemes approved under the Digital India Programme are based on reimbursement of capex towards viability gap funding. However, the budgeting issue may impact the objectives (Employment Generation and growth of IT/ITeS sector in non-metro locations) of the BPO Promotion Schemes under the Digital India Programme. The matter is proposed to be taken up with the Ministry of Finance seeking additional funds for this purpose. Considering that the STP Scheme is a unique scheme, designed to promote the software industry, including innovations and growth of Start-Ups and SMEs without any location constraints, the Committee feel that the Department should come out with some alternative to incentivize STP units to help them sustain in business and meet the challenges from SEZs.

13. The Ministry of Electronics and Information Technology, in the action taken note, have stated as under:-

"Considering scarcity of funds for India BPO Promotion (IBPS) and North East BPO Promotion Scheme (NEBPS) under "Promotion of IT/ITES Industries" programme because of the meagre allocation of 5 crore in BE 2016-17, Ministry of Finance has been requested for allocating additional funds in the Revised Estimates 2016-17. However, as per the Pre-Budget discussions held under the chairmanship of Secretary(Expenditure) on 27.10.2016, no additional grant is likely to be allocated in Revised Estimates 2016-17.

As regards providing incentive to STP units to help them meet the challenges from SEZs, the matter has again been taken up with Department of Revenue, M/o Finance who has provided their comments vide OM no DGEP/EOU/IMSC/30/2013/3186 dated 03.06.2016, which inter-alia includes:

"The EOU Scheme and the SEZ Scheme are both export promotion schemes but are based on totally different concepts. Any business entity is free to opt for any exported promotion scheme i.e. either EOU or SEZ and thereafter seek the benefits available therein. Cherry-picking of benefits cannot be accepted."

However, The "Startup India" Programme launched by M/o Commerce and Industry, provides income-tax exemption for 3 years to "Startup", an entity

which is up to 5 years from the date of its incorporation/ registration, and if its turnover for any of the financial years has not exceeded INR 25 crore."

14. **The Committee had noted that the Indian Information Technology (IT) - Information Technology Enabled Services (ITES) sector has registered tremendous growth over the past decade positioning India as the world's no. 1 sourcing destination with a share of 56% in 2015. India's share in the global IT services outsourcing and ITES/BPO has reached upto 67% and 38%, respectively. This was made possible, inter-alia, due to the pivotal role played by the STP Scheme and fiscal benefits provided under Section 10A of the Income Tax Act. Observing that non-availability of Income Tax benefits under Section 10A of IT Act beyond 01.04.2011 for STP units has adversely affected the competitive edge of these units, especially with respect to the Micro, Small and Medium Enterprise (MSME) units and the registration of new STP units has decreased and the number of STP units exiting/de-bonding from the STP Scheme has increased year-on-year, the Committee had recommended that the Ministry should come out with some alternative to incentivize STP units to help them sustain in business and meet the challenges from SEZs. The Committee understand that as regards providing incentive to STP units to help them meet the challenges from SEZs, the Ministry did take up the matter with the Department of Revenue, M/o Finance which were of the view that the EOU Scheme and the SEZ Scheme are both export promotion schemes but are based on totally different concepts. Any business entity is free to opt for any export promotion scheme i.e. either EOU or SEZ and thereafter seek the benefits available therein. The Ministry have further informed that the "Startup India" Programme launched by M/o Commerce and Industry, provides income-tax exemption for 3 years to "Startup", an entity which is up to 5 years from the date of its incorporation/registration, and if its turnover for any of the financial years has not exceeded INR 25 crore. However, in the opinion of the Committee while the incentives of income tax exemption to Startup companies as launched by M/o Commerce and Industry will take care of the issue to some extent, it does not adequately address the real concern of the Committee regarding the decrease in registration of new STP units and the increasing number of STP units exiting/de-bonding from the STP Scheme. The request of the Ministry of Electronics and Information Technology for allocating additional funds**

to India BPO Promotion Scheme and North East BPO Promotion Scheme has also not been agreed to by the Ministry of Finance restricting the allocation under these schemes to Rs.5 crore only for 2016-17. Under these circumstances, the Ministry have no choice but to focus on proper implementation of these schemes so that Micro, Small and Medium Enterprises (MSME) benefit from these schemes. The Committee are given to understand the modalities for these schemes are being worked out and these are yet to be concretized for implementation. Considering that STPI had created a congenial and thriving eco-system especially for Micro Small and Medium Enterprise (MSME) units, the Committee once again reiterate their earlier recommendation that the Ministry should come out with some alternative to incentivize STP units to help them sustain in business and meet the challenges from SEZs at least till such time these schemes gain ground and make an impact.

CHAPTER II
OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Budget Analysis

(Recommendation Sl. No. 1)

The Budget Estimate (BE) allocation of DeitY for the year 2016-17 is Rs.3328.82 crore which includes Rs.3200 crore under Plan and Rs.128.32 crore under Non-Plan segment. In the year 2015-16, against the enhanced RE allocation of Rs.2700 crore, the Department could achieve decent utilization of the order of Rs.2521.75 crore up to March, 2016. An analysis of trend of expenditure in this financial year indicates that major fund utilization was done in the month of March, i.e., in the closing month of Annual Plan period. The Committee do take note of some of the technical factors responsible for the same. However, as a matter of general principle and financial prudence, the 'March rush' of expenditure needs to be avoided. The Committee hope the Department would take due care in the Annual Plan year 2016-17 to address this concern of the Committee.

The Committee understand that all the Plan schemes of DeitY have been rationalized into five umbrella schemes, namely, National Informatics Centre (NIC), Unique Identification Authority of India (UIDAI), which stand transferred to DeitY as an Attached Office, Regulatory Authorities, Digital India Programme and Assistance to Autonomous and Other Bodies with effect from the Financial Year 2016-17. A scrutiny of allocation made under Plan schemes shows that the approved GBS has been grossly downsized, leaving a yawning gap between the proposed and the approved GBS. This, indeed, is a matter of grave concern to the Committee. For example, under the Digital India Programme, which is one of the flagship programmes of the Government of India, a sum of Rs.1282.00 crore only has been provisioned as against the demand of Rs.5778.07 crore. As would be seen in the subsequent pages of this Report, reduced allocation under this head has significant impact on execution of various components of this scheme. The Department have stated that on account of the overall reduction of DeitY Budget, allocation made under Plan schemes has been adversely affected. The Committee have been informed that DeitY have asked for additional funds of Rs.1500 crore to meet the minimum requirement during the financial year 2016-17. The Committee endorse the demand of the Department for allocation of additional funds for the current fiscal. The Committee also desire that DeitY need to have adequate budget in the coming Plan years because this Department are implementing some of the schemes/programmes which are central to the building of a technologically empowered society to take a lead in the global digital economy.

Reply of the Government

The Department has already taken up the matter with Ministry of Finance. A proposal for Cash Supplementary Grant of ₹ 2166 crore was also submitted to Ministry of Finance in the 1st Batch of Supplementary Demands for Grants (Aug 2016). However, the Department has received only ₹ 290 crore as Cash Supplementary Grant against the above demand. The matter was further taken up with Ministry of Finance in Revised

Estimates 2016-17. However, as per the Pre-Budget discussions held under the chairmanship of Secretary(Expenditure) on 27.10.2016, no additional grant is likely to be allocated in Revised Estimates 2016-17.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Comments of the Committee
(Please see Para No. 8 of Chapter I)

Internal and Extra Budgetary Resources (IEBR)

(Recommendation Sl. No. 3)

The Committee note that a target of Rs.795.78 crore had been set by the Department for the year 2014-15 which was reduced to Rs.769.39 crore at the RE stage. Against this, the Societies under DeitY have achieved a target of Rs.879.48 crore which far exceeds the targets set at both at BE and RE stage. However, during the year 2015-16, an amount of Rs.691.67 crore has been generated by the Societies as on February, 2016 which is a mere 52% of the target set for the year. Explaining the reasons for shortfall under IEBR, the Department have stated that they were optimistic of achieving the target based on the IEBR achievement trend set by the autonomous Societies. However, the targets could not be fulfilled. The Committee observe that STPI had a target of achieving Rs.268.19 crore at BE 2015-16. This target was increased to Rs.689.43 crore at the RE stage, *i.e.* IR (Internal Resource) of Rs.186.58 crore and EBR (Extra Budgetary Resources) of Rs.502.85 crore, with the expectation that STPI would be able to achieve it. However, the total IEBR generated by STPI for FY 2015-16 settled at Rs.201.10 crore. The Committee are given to understand that the EBR target of STPI could not be achieved in view of non-receipt of funds from DeitY for the Schemes proposed by them as these are still under consideration of the Department. Similarly, targets in respect of other Societies such as NIELIT and ERNET have not been achieved. The Committee observe that for the year 2016-17, an IEBR target of Rs.1514.94 crore has been set for the Societies which *inter alia* includes Rs.824.25 crore for STPI, Rs.260.09 crore for NIELIT, Rs.284.00 crore for C-DAC, Rs.48.00 crore for SAMEER, etc. The Committee, while expressing their concern that the IEBR targets set for 2015-16 could not be achieved, more particularly in respect of STPI due to non-release of funds, desire that the Department should extend all possible support-financial or otherwise so that these Societies are able to achieve the IEBR targets for the FY 2016-17.

Reply of the Government

The esteemed comments of the Committee have been noted. The Autonomous Societies have been requested to review their IEBR projections, especially w.r.t. the recommendations of the Expenditure Management Commission (EMC) on Autonomous Bodies, and make serious efforts to achieve the IEBR targets.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Unique Identification Authority Of India (UIDAI)

(Recommendation Sl. No. 5)

UIDAI is a transformational initiative that includes establishing identity infrastructure for providing unique digital identity in the form of Aadhar number to its residents. The Committee note that UIDAI was earlier with NITI Aayog but from September 2015 onwards, it has been shifted under the Ministry of Communications and Information Technology, Department of Electronics and Information Technology, as an Attached Office. Aadhar enrolment is undertaken on voluntary basis and is an ongoing activity. A target of universal enrolment is being pursued but till 15th March, 2016, a total of 99.20 crore Aadhar have been generated out of total population of 121.07 crore (Census 2011) which has already crossed hundred crore mark. Although it is an ongoing process, one round of completion of enrolment is targeted in March, 2017. A look at the financial performance of the scheme shows that the utilization of funds under the scheme has been consistently above 80% with respect to RE. During the year 2015-16, as against the budgetary allocation of Rs.1916.43 crore at the RE stage, the Actual Expenditure has been to the tune of Rs.1606.63 crore. The Committee have been informed that for the year 2016-17, an amount of Rs.800 crore has been allocated to the scheme. Regarding the adequacy of funds during the current FY, the Department have stated that the BE projection for UIDAI was Rs. 1468.23 crore as the Department had estimated an amount of Rs.731.00 crore to meet enrolment, printing and dispatch cost for approximately 20 crore enrolment (1.5 to 2 crore Aadhaar is proposed to be issued every month) in the next FY 2016-17 and an amount of Rs.127 crore and Rs.176.00 crore for the committed and contractual expenditure such as cost of technology operations and procurement of machinery & equipment, etc. A provision of Rs.70 crore had also been proposed for construction of UIDAI headquarters buildings which is already underway, along with provision of Rs.100 crore for establishment related expenditure. In view of this, the current budgetary allocation of Rs.800 crore will not be sufficient to meet the requirement. Further, the Committee note that UIDAI is fully prepared to undertake the task of the first round of enrolment by 2017. During the evidence, the representative of UIDAI also informed the Committee that they have 3.32 lakh certified operators throughout the country and enrolment is going on in 30,000 centres. As on date, 6 lakh enrolment is being made per day. As UIDAI targets to complete the enrolment, at least the first enrolment by 2017, another Rs.600 crore will be required to meet the expenses. Also, UIDAI needs funds to meet the updation activity (such as the newly born children who will cross 5 years and reach 15 years of age whose fingerprints change over time), which will continue. Keeping in view the fact that the Actual Expenditure under the scheme has been consistent and UIDAI Plan to achieve the first phase of enrolment by 2017, the Committee desire that allocations to UIDAI may suitably be enhanced to meet the requirement so that the projected targets as per BE proposal 2016-17 are not affected. The Committee further note that with Aadhar enrolment assuming much importance in light of the Aadhar Act being passed, the privacy and security concerns need to be addressed. The Committee have been informed that the Act has in-built clauses to deal with security and privacy of individuals. The Committee desire that requisite steps be taken alongside the provisions of the Act to address security and privacy issues.

Reply of the Government

Subsequent to the publication of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act 2016, in the Official Gazette for general information, the Government is in the process of notifying various sections relating to security and privacy related aspects. Sections relating to offences and panalities, which will govern any contraventions of the other provisions of the Act will also e notified in due course. Further, the requisite Rules and Regulations including those which govern security and privacy aspects of information collected, which form part of the subordinate legislation under the Act, are under preparation.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Comments of the Committee
(Please see Para No. 8 of Chapter I)

Cyber Security (Including CERT-In)

(Recommendation Sl. No. 6)

The Committee note that Cyber Security is an upcoming area which require increased allocation to meet the shortage of manpower in the form of Cyber Security experts, upgradation of technology and training to enhance capacity, etc. The Committee are, however, concerned to note that allocations under Cyber Security has been reducing continuously. During the year 2014, the allocation at the BE stage was Rs.116 crore which was reduced to Rs.58 crore at the RE stage and Actual Expenditure was Rs.54.59 crore. Similarly, during the year 2015-16, the allocation at BE stage was Rs.100 crore which was reduced to Rs.80 crore and Actual Expenditure was Rs.62.11 crore as on 07.03.2016. For the year 2016-17, against the proposed sum of Rs.338.50 crore, an allocation of only Rs.70 crore has been made to Cyber Security. The Department have informed that they had envisaged several initiatives and projected budget requirement for the 12th Plan period. However, in line with the overall reduction for allocation to Department, the Cyber Security related activities have been scaled down to Rs.500 crore. The Committee note that the budgetary requirement under the programme include operational activities relating to the Indian Computer Emergency Response Team (Cert-in), Cyber Appellate Tribunal CAT and R & D, as well as expenditure for key infrastructure initiatives such as the establishment of National Cyber Co-ordination Centre (NCCC), continuous upgradation of technology, enhancement of capacity and skills, etc. The Department have informed that setting up of Botnet cleaning and Malware Analysis Centre is in advanced stage of implementation and the NCCC test bed project has been taken up. The Committee observe that NCCC aims at generating necessary situation awareness of existing and potential Cyber Security threats. The mandate of NCCC also include aggregation of threat alerts, detection classification and trace back of Distributed Denial of Service (DDoS) attack, detection and trace back of malware outbreaks and malicious activities. NCCC is envisaged to become operational in a period of 1 year, subject to availability of requisite fund. The Department have approached the Ministry of Finance for allocation of funds in

supplementary grants stage for full scale operationalisation of the project. The Committee are of the view that in this age of ever expanding digital space and its usership, implementation of these two projects and other activities under Cyber Security should not suffer due to want of funds. The Committee desire that the concern of the Committee may be conveyed to the Ministry of Finance for allocation of adequate funds for Cyber Security at the supplementary grant stage. Efforts should be made to accomplish the above two projects and the Committee be apprised of the progress made in this regard.

Reply of the Government

The concerns of the Committee have been forwarded to Ministry of Finance and proposals have been submitted for additional allocation under Cyber Security Programme for NCCC projects, etc. However, as per the Pre-Budget discussions held under the chairmanship of Secretary(Expenditure) on 27.10.2016, no additional grant is likely to be allocated under any Scheme/Programme (incl. NCCC) in Revised Estimates 2016-17.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Cyber Security -Capacity Building

(Recommendation Sl. No. 7)

The Committee note that the Department are resorting to both formal and informal methods for capacity building of Cyber Security professionals. The Information Security Education and Awareness (ISEA) project of the Department aims at creation of manpower in the area of information security. The first phase of this project was completed on 31.03.2014 under which 42,000 students were trained. More than 500 awareness workshops have been conducted throughout the country. The Committee observe that Phase II of the project has been initiated with an outlay of Rs. 96.08 crore to be implemented over 5 years w.e.f. 1.04.2014. Out of this, Rs. 28.68 crore have been expended during the year 2014-15. However, during the year 2015-16, no funds have been released under the scheme. The Department have informed that the selection of 51 participating institutions and signing of MOUs for implementation of the project could only be completed in January 2016 due to which the target of training 25862 students could not be achieved during 2015-16. For the year 2016-17, the Department propose to release Rs.11.84 crore to achieve a target of 26442 students under the academic component. The Committee recommend that the funds earmarked for this project should be released on time and efforts should be made to achieve the targets.

The Committee also note that around 7000 participants from over 200 organisations have attended the awareness and exposure programmes conducted by Cert-In. Further, a joint working group constituted to suggest measures for Public Private Partnership (PPP) for active involvement of private sector efforts has already laid out a road map for capacity building to meet the demands of Cyber Security professionals through PPP mode. The Committee are given to understand that DeitY (My Gov and Cert-In), in partnership with Google, have made efforts to raise internet safety awareness among teachers and students during 2015 under which 5000 schools were

covered benefiting over 5.6 lakh students in 12 States. However, considering the massive expansion of IT in various sectors and services, the above achievement seems limited. The Committee desire that more and more activities need to be carried out in collaboration with the private sector to expand the reach and scale of awareness campaigns. The Department should work out ways and means to involve more and more stakeholders in the private sector in this effort.

Reply of the Government

The identification and selection of 51 institutions under the ISEA Project Phase II and the signing of MoUs with all the selected institutions was completed in January 2016. Keeping this in view, the Competent Authority has approved the change in the starting date of the project to 01.04.2015 (in place of 01.04.2014) and the date of completion of the project to 31.03.2020 (in place of 31.03.2019). So far, 9439 candidates have been trained/undergoing training in various formal/non-formal programmes and 1779 Government officials trained under direct training programmes in the area of information security. Besides, 271 half-day/full-day awareness workshops in information security have been conducted covering 23,681 participants.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Digital India Programme

(Recommendation Sl. No. 8)

The Digital India Programme is an umbrella programme which amalgamated all the ongoing Schemes/Programmes/Projects being implemented by DeitY. It weaves together a large number of ideas and thoughts into a single, comprehensive vision so that each of them can be implemented as part of a larger goal. The various components of the programme include manpower development, Electronic Governance, E-Governance, National Knowledge Network, Promotion of Electronics & IT Hardware Manufacturing, Promotion of IT&ITES Industries and R&D in IT/Electronics/CCBT. The Committee note that as against the proposed estimate of Rs.5778.07 crore, a sum of only Rs.1282.00 crore has been provided under this programme. The Department have, however, requested the Ministry of Finance to provide additional allocation of Rs.1500 crore to meet the bare minimum requirement during FY 2016-17. In the succeeding paragraphs, the Committee will evaluate the performance of some of the Schemes/Programmes/Projects being implemented under this umbrella programme.

Reply of the Government

It is a fact that Ministry of Finance was initially requested for an additional allocation of ₹ 1500 crore to meet the bare minimum requirement during FY 2016-17. Since any additional fund can only be granted through Supplementary Demands for Grants, a proposal for grant of ₹ 2166 crore as additional grants for various programmes was submitted to Ministry of Finance in the 1st batch of Supplementary Demands for Grants. However, an additional grant of ₹ 290 crore was approved in this batch of

Supplementary Demands (₹ 190 crore for UIDAI and ₹ 100 crore for NIC). The matter was further taken up with Ministry of Finance in Revised Estimates 2016-17. However, as per the Pre-Budget discussions held under the chairmanship of Secretary(Expenditure) on 27.10.2016, no additional grant is likely to be allocated in Revised Estimates 2016-17.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Comments of the Committee
(Please see Para No. 8 of Chapter I)

Manpower Development

National Digital Literacy Mission

(Recommendation Sl. No. 9)

The manpower development programme especially targets Human Resource Development (HRD) activities to ensure availability of trained human resources for the manufacturing and services sectors of Electronics and IT industry. With the increased focus on "Skill India" initiatives, the importance of Manpower Development increases manifold. As against the proposed budgetary support of Rs.792.71 crore, a sum of Rs.365 crore has been allocated to this project for the year 2016-17. The reduction in budget is stated to be due to decrease in overall allocation to DeitY. The Committee note that in the year 2015-16, the Department achieved decent utilization to the tune of Rs.392.28 crore upto 7th March, 2016 as against Revised Estimate allocation of Rs.494.80 crore. The National Digital Literacy Mission (NDLM) under Manpower Development Programme pledges to digitally literate one adult from each of the 147 million rural households of India. Under NDLM, two schemes, viz. Scheme for IT Mass Literacy (renamed as National Digital Literacy Mission) and Scheme for Digital Saksharta Abhiyan (DISHA) were initially conceived for providing digital literacy to the masses. The NDLM approved in March, 2014 with a total outlay of Rs.97.02 crore over a period of 18 months (extended upto 30 June, 2016) was launched on 21 August, 2014. The scheme aimed to train 10 lakh persons. DISHA with a total budget outlay of Rs.380 crore over a period of 4 years was approved in December, 2014 with the aim to make 42.5 lakh persons digitally literate. Both these schemes are being implemented concurrently. The Committee note that out of the total Budget Outlay of Rs.476.93 crore earmarked for both NDLM and DISHA, a sum of Rs.92.46 crore has been released upto 2015-16 and amount to the tune of Rs.325.40 crore is to be released in the year 2016-17. The Committee find that out of the cumulative target of 52.5 lakh persons under NDLM and DISHA Schemes, a total of 67.49 lakh candidates have been enrolled, out of which 46.94 lakh candidates have been trained and approximately 19.50 lakh candidates have been certified. A total of 1927 organizations are working as Training Partners under these schemes. The Department expect that the envisaged/cumulative target of 52.5 lakh candidates under both the schemes would be achieved by December, 2016, i.e. much ahead of the approved duration of December, 2018. The Committee note that in pursuance of the announcement made by the Finance Minister in his budget speech in February, 2016, a new scheme, namely, "Digital Literacy Mission Scheme for Rural India" to cover around 6 crore additional beneficiaries in the rural

households within the next 3 years is under formulation. The Committee appreciate the achievement made so far through the implementation of NDLM/DISHA. Since Digital Literacy Mission will be an ecosystem of digital literacy awareness, education and training that will help India take a lead in the global digital economy, wider coverage in quick pace would be the real challenge. The pronouncement of a new scheme which envisages a bigger target within a specified time period is definitely a step in the right direction. Since this scheme is yet to be configured, the Committee would like to be informed of the progress made under this programme within a period of three months. It needs to be realized that in the long run, a substantial portion of population need to be digitally literate to achieve the goal of universal digital literacy. This is a continuing mission and the Government need to make sustained efforts to move forward. In this direction, the Committee feel that in addition to the schemes being run by the Government, Massive Open Online Courses (MOOC) may also be conducted with the help of ICT infrastructure to exponentially increase the number of trained individuals.

Reply of the Government

A new Scheme named Pradhan Mantri Grameen Digital Saksharta Abhiyaan (PMGDISHA) to cover 6 crore rural households in the next three years has been proposed. The Expenditure Finance Committee (EFC) has recommended the said proposal. The draft Cabinet Note is under submission.

Ministry of Electronics and Information Technology (MeitY) supports R & D projects in thrust areas of e-Learning for development of tools and technologies. Two Learning Management Systems (LMS) have been developed namely Brihaspati and e-Shikshak have been developed with funding from MeitY. Brihaspati which is a multi-lingual platform is being used by 281 institutes whereas e-Shikshak which is also multi-lingual platform, is used by 14 institutes. Department of Higher Education, MHRD has developed Indian MOOC platform namely, SWAYAM (Study Webs of Active-Learning for Young Aspiring Minds) which would be ultimately capable of hosting 2000 courses and 80000 hours of learning: covering school, under-graduate, post-graduate, engineering, law and other professional courses.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

National E-Governance Plan (NeGP)

(Recommendation Sl. No. 10)

The National e-Governance Plan (NeGP) was approved in 2006 with a vision of making all Government services accessible to the common man in his/her locality through common services delivery outlets and ensure efficiency, transparency and reliability of such services at affordable costs. DeitY has implemented a number of projects in the e-Governance domain which are the supporting infrastructure components for implementation of various e-Governance initiatives in Central Ministries/Departments and States/UTs. These include the core ICT infrastructure

projects such as State Data Centres(SDCs), State Wide Area Networks (SWANs), Common Services Centres (CSCs), National/State Service Gateway (SSDGs), e-District, etc.

The Committee note that as against the proposed allocation of Rs.1650 crore, the BE provided for the year 2016-17 for this scheme is Rs.420 crore. The Committee observe that in spite of the Department being able to utilize 93% of the budget allocation for the year 2015-16, the budget provided for the year 2016-17 is even less than the BE provision of 2015-16. The Committee urge the Department to make efforts for additional allocation under this head for better execution of schemes being operated under NeGp. Some of the components of NeGP are discussed in the succeeding paragraphs.

Reply of the Government

MeitY has implemented a number of projects in the e-Governance domain which are supporting infrastructure components for implementation of various e-Governance initiatives in Central Ministries/Departments and States/UTs.

Department of Expenditure, Ministry of Finance has communicated the following funding pattern of Centrally Sponsored Schemes e.g. National e-Goovernance Action Plan (NeGAP) schemes:

(i) For Union Territories, the Centrally Sponsored Schemes will be funded 100 percent by the Central Government. However, schemes that will be implemented in a particular Union Territory, will be decided by the Central Government in consultation with the administration of the Union territory concern.
(ii) For 8 North East and 3 Himalayan States, the scheme is optional for the State Government and their fund sharing pattern is 80:20 between the Centre and the States.
(iii) For other States, the scheme is optional for the State Government and their fund sharing pattern is 50:50 between the Centre and the States.

Due to the above-mentioned funding pattern, less funds are required for central funding for NeGP. Six projects namely State Wide Area Network(SWAN),State Data Centre(SDC), Common Services Centre(CSCs), e-District, State Service Delivery Gateways(SSDG) and Capacity Building(CB) are being funded with above funding pattern. Rs. 420.00 crore has been allocated under e-Governance Budget head and Rs. 50.00 crore under Externally Aided Project(EAP) head to e-Governance Division for Financial Year 2016-17.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

State Wide Area Network (SWAN)

(Recommendation Sl. No. 11)

The Committee note that presently, SWAN has been made operational in 34 States/UTs. Implementation of SWAN in Andaman & Nicobar Islands and Jammu & Kashmir is stated to be in progress. The Committee have been informed that the progress of implementation of SWAN is primarily dependent on the pace of work at the State / UT level during various stages like pre-bid, post-bid (submission of RFP, publishing of RFP, evaluation of RFP) and award of contract. Any delay at any of these stages contributes to the overall delay in the completion of the project. Apart from these, delay in preparation of sites, non-availability of leased line connectivity and frequent power outages in rural areas contribute towards the lag. While taking note of the difficulties enumerated above, the Committee would desire the Department to constantly engage with the States and other authorities for expeditious resolution of problems so that the networking infrastructure is put in place at the earliest. The Committee find that the States have been utilizing the core infrastructure of SWAN for connectivity and dedicated close user application access connectivity. SWAN has been integrated with NKN in 29 States/UTs at SHQ level and 440 at the district level to provide high bandwidth. The Committee are glad to note that the increasing digitization amongst States has led to higher utilization of bandwidth. Presently, 30 States/UTs are utilizing more than 60% of bandwidth of the existing link capacity. To monitor the performance of SWANs, the Department has mandated positioning of Third Party Auditors (TPAs) in the States/UTs. As on date, 29 States have empanelled the TPAs for monitoring the performance of the SWANs in the respective States/UTs. The remaining States/UTs are in the process of empanelment of TPA. The Committee recommend that sustained efforts need to be made to increase bandwidth utilization. Observing that successful implementation of the SWAN scheme is critical for establishing the basic digital infrastructure, which is an essential pre-requisite for the success of flagship schemes like 'Digital India' programme, the Committee recommend that concerted and innovative efforts be made to compliment the efforts of the State Governments in operationalisation of the SWAN scheme.

Reply of the Government

States are now increasingly enhancing their bandwidth usage due to increased thrust on digitization. This Ministry allows upgradation from 2 Mbps in the States to cope up with functional requirement. Besides, this Ministry has been proactively suggesting the States to provide horizontal connection for more number of offices at SHQ, DHQ and BHQ.

Also, both States/UTs of J&K and Andaman & Nicobbar Islands are being suggested to expedite procedural formalities for selection of network operator/system integrator and necessary technical assistance/guidance is being rendered to the State/UT from time to time.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

State Data Centre (SDC)

(Recommendation Sl. No. 12)

The Committee have been given to understand that till now 24 SDCs have been declared operational. In FY 2015-16, Bihar SDC got operational; implementation of 3 SDCs (Himachal Pradesh, Jharkhand, Dadra and Nagar Haveli (DNH) & Daman & Diu (DD) (DNH & DD have combined SDC), is in progress. In 2 States (Punjab and Goa) bid process is in an advanced stage and in 3 States (Assam, Arunachal Pradesh and Uttarakhand) RFP has been floated and bid process management is going on for selection of a Data Center Operator (DCO). Percentage of rack space utilization in twenty-three States is more than 50% of the SDC infrastructure. The Committee have been informed that in order to make SDCs Cloud-enabled, DeitY has circulated a template Request for Proposal (RFP) to States for initiating a bid process for Cloud enablement of SDCs. Seven States have completed Cloud enablement and 8 States are in various stages of Cloud enablement. SDCs are expected to host critical Government applications/services, including important citizen data, and protection of the same is of prime importance. In this regard, the SDC has provisioned for a Disaster Recovery (DR) mechanism through storage based replication as part of the SDC enhancement. Till now, 12 States are DR enabled and 8 States are in various stages of DR enablement. Considering that Data Centres are essential to consolidate services, applications and infrastructure, the Committee recommend that the establishment of SDCs in all States/UTs be expedited so as to secure data storage, provide better operation & management control with minimized overall cost of data management, IT resource management, deployment and other costs for States/UTs.

Reply of the Government

26 State Data Centres (SDCs) have been made operational (Himachal Pradesh & Jharkhand has been made operational during financial year 2016-17). Implementation of 2 SDCs (Punjab & Goa) is in progress and in 2 States (Assam & Uttaranchal), bid process is in advanced stage. Rack utilization is more than 50% of the SDC Infrastructure in 25 States. Cloud enablement has been completed in 11 States and is under implantation in 4 States. Disaster Recovery(DR) enablement has been completed in 22 States.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Common Service Centres (CSCs)

(Recommendation Sl. No. 13)

The Committee note that the total number of CSCs established as of March, 2016 is 1,99,325 out of which the number of CSCs set up at Gram Panchayat level is 122,621. The number of CSCs approved as Business Correspondents Agents (BCA) is 28,111. As of January, 2016, a total of 11,089 BCAs set up at CSCs have been active. So far, 9,532 Rural Authorized Persons (RAPs) have been registered at CSCs pan India for Insurance Services. The number of CSCs acting as Permanent Enrolment Centres

(PECs) is 14,330. CSC SPV is now ranked 2nd in the country-wide UID Registrar Ranking. "CSC 2.0-A Way Forward" has been approved in August 2015 under the Digital India Programme. CSC 2.0 aims for establishing self-sustaining network of 2.5 lakh CSC centres at Gram Panchayats (GP). The Committee note that there is still a long way to go before this target is achieved. The Committee, therefore, recommend that execution of this project need to be overseen by a robust monitoring mechanism coupled with structured planning and swift decision making at the Apex Level. Also, various obstacles in the form of adequate connectivity, Left Wing Extremism, adequate power connectivity need to be swiftly addressed. Common Service Centres are an 'Access to Digital Space' for a common man, responsible for delivery of various G2C and other B2C services to the citizen. Hence, the element of accountability on the part of CSCs is very important for this ecosystem to be reliable. The Committee recommend that apart from the existing mechanism to ensure accountability of CSCs, the Department may take recourse to innovative measures as well. The Committee may be informed about further progress made in setting up of CSCs in the country.

Reply of the Government

The total number of Common Services Centres (CSCs) established as of October, 2016 is 2,53,160 out of which the number of CSCs set up at Gram Panchayat level is 1,54,651. The number of CSCs approved as Business Correspondents Agents (BCA) is 29,325. As of October, 2016, a total of 11,694 BCAs set up at CSCs have been active. So far, 13,365 Rural Authorized Persons (RAPs) have been registered at CSCs pan India for Insurance Services. The number of CSCs acting as Permanent Enrolment Centres (PECs) is 23,044. CSC SPV is now ranked 2nd in the country-wide UID Registrar Ranking. "CSC 2.0- A Way Forward" has been approved in August, 2015 under the Digital India Programme. CSC 2.0 aims for establishing self-sustaining network of 2.5 lakh CSC centres at Gram Panchayats (GP).

The CSC portal which has been aimed to have features like robust monitoring, assessment and accountability mechanism are being revamped and presently underway. Once it is developed, all the issues pertaining to functioning of CSCs and delivery of services can be addressed through regular assessments at various levels that include districts, States and Central levels. In this regard, it is to be noted that migration of the already existing CSC Village Level Entrepreneurs (VLEs) to the cloud based new platform are in progress and being expedited to complete the entire process of migration with Entrepreneur Development Programme (Training) and regular hand-hold supports. In this way, accountability of CSCs for day to day operations would be administered for smooth implementation of CSC scheme across the country.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

National Knowledge Network (NKN)

(Recommendation Sl. No. 14)

The Committee note that the National Knowledge Network was approved in the year 2010 with an objective to inter-connect all knowledge institutions across the country

through high speed data communication network to encourage sharing of resources and collaborative research. This would cover about 1500 institutions comprising all universities, institutions of higher learning and research. During the year 2014-15, an allocation of Rs.300 crore had been made at the BE and RE stage which was utilized optimally. In the year 2015-16, an allocation of Rs.150 crore had been made at the BE stage which was increased to Rs.214 crore at the RE stage. Out of this, the Actual Expenditure has been to the order of Rs.150 crore as on 07.03.2016. The Committee observe that under the NKN Programme, the projection for FY 2016-17 was to the tune of Rs.1000 crore against which the approved allocation is only Rs.250 crore. The Department have informed that the allocated amount would not be sufficient even to meet the yearly recurring expenses to sustain the NKN project and they would like to seek additional grants at the supplementary stage. The Committee note that ad-hocism in allocation of Plan funds and taking recourse to asking for funds at the supplementary grants stage has been a recurring phenomenon under the scheme of NKN. As far as the physical targets are concerned, the Committee note that 1580 links have been commissioned and made operational. This includes 378 links to institutions under NMEICT, which have been migrated to NKN. During the FY 2015-16, a total of 176 institutions have been connected which include 13 institutions migrated from NMEICT. NKN connectivity has also been extended to 447 NIC district centers. 94 numbers of Core Links have been commissioned and operationalised. 66 Virtual Classrooms have also been set up under NKN. For the successful implementation of NKN, adequate budgetary provision is indispensable, failing which the scheme will not be able to achieve its objective. This is also evident from the concerns expressed by the Secretary, DeitY, who had informed the Committee that under NKN the achievement has been 93% of expenditure and the Department were trying hard to get re-appropriation at the last moment which did not materialize. In the case of the National Knowledge Network, there is a deficit of Rs.300 crore and the Ministry of Finance are now seriously thinking to delegate re-appropriation for NKN liability. Pending the final decision of the Ministry of Finance regarding delegated re-appropriation, the Committee desire that the Ministry should ensure additional grants for the NKN programme for FY 2016-17 so that it is able to achieve its objective of collaborative research and transforming the country into a Knowledge Society.

Reply of the Government

Ministry of Finance was requested to provide additional grants in the 1st batch of Supplementary Demands for Grants 2016-17. However, Ministry of Finance turned down the proposal with the suggestion that the matter may be taken up at RE stage. The matter was further taken up with Ministry of Finance in Revised Estimates 2016-17. However, as per the Pre-Budget discussions held under the chairmanship of Secretary(Expenditure) on 27.10.2016, no additional grant is likely to be allocated in Revised Estimates 2016-17.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Comments of the Committee
(Please see Para No. 8 of Chapter I)

Promotion of Electronics & IT Hardware Manufacturing

(Recommendation Sl. No. 15)

The Committee note that an allocation of Rs.70 crore has been made for promotion of Electronics and IT Hardware manufacturing as against the proposed estimate of Rs.854.64 crore. During the year 2015-16, an allocation of Rs.74 crore at the BE stage was made which was increased to Rs.94 crore at the RE stage; out of this, the actual expenditure stood at Rs.45.57 crore (till 7.03.2016) which is roughly less than 50 per cent. The Department, however, have maintained that the expenditure on electronics manufacturing is growing at a significant pace for the last few years.

The Committee observe that initiatives such as the Modified Special Incentive package (M-SIPs), Electronic Manufacturing Clusters Schemes (EMC), Electronics Development Fund (EDF), etc. have been taken by the Government to boost this sector. As far as M-SIPs are concerned, the scheme has further been streamlined with inclusion of 15 new product categories, easier accrual of benefits and extension of the scheme for a period of 5 years beyond July 26, 2015. The items that have invited maximum investment under M-SIPs are Components and Accessories, IT and Telecom Products and Automotive Electronics. Under the Electronic Manufacturing Clusters Scheme (EMC), financial assistance for creating world-class infrastructure for electronics manufacturing units is provided.

The Committee have further been informed that the Electronic Development Fund (EDF) Policy approved by the Cabinet in December 2014 provides for participation in venture funds to support R&D, Innovation and IP Generation in Electronics, and IT and Nano Electronics. According to the Department, as a result of these policy initiatives, there has been an increase in investment in this sector and expenditure since 2012-13. In the last three years, 181 investment proposals involving investment of Rs.1,20,418 crore have been received under M-SIPS. This includes proposals from Multinational Companies. The level of interest shown by the multinationals has increased significantly after the launch of the 'Make-in-India' campaign and the 'Digital India Programme' and substantial investment proposals have been received thereafter. The Committee note with satisfaction that the Government have launched several initiatives/policy measures to incentivize and promote the hardware manufacturing sector. It is equally encouraging that the sector continues to witness substantial growth in investment, more importantly through multinational companies. The Department have also taken initiatives to fast pace projects under the EMC Scheme by addressing grey areas that contributed to the delay such as incorporation of SPV, arrangement of funds by implementing agencies, contribution by constituent units, etc. What is needed is to carry forward the momentum and realize the objective of making India a manufacturing hub. Besides checking outflow of precious foreign exchange due to imports of electronic and IT products, the growth of indigenous production would also generate employment. The Committee, therefore, recommend that adequate allocation of funds is needed under different schemes of this project and it should be the constant endeavour of the Department to engage with the Ministry of Finance for requisite allocation. The Committee emphasize that the Government should continue to give incentives in different areas of this ambitious project so that it remains an attractive field for multinationals, encouraging them to have more and more investments. The Committee would like to be informed of

further progress in the promotion of this sector, including the extent of employment generation.

Reply of the Government

The progress made so far is as follows:

1. Electronics Development Fund (EDF) - An Engine for Design in India

As part of Digital India Program, Government of India is taking several initiatives to promote electronics design and manufacturing in the country to achieve "NET ZERO" import by 2020. Electronics Design & Manufacturing is a sector which is characterized by high velocity of technological change and Intellectual Property is possibly the most critical determinant of success, not only for the companies of this sector but also to the countries and economies as a whole. Setting up of EDF was one of the important strategies which would enable creating an electronics industry ecosystem in the country. Creating a vibrant ecosystem of innovation, research and development (R&D) with active industry involvement is essential for a thriving electronics industry. It is with this objective that an Electronic Development Fund (EDF) is set up as a "Fund of Funds" to participate in professionally managed "Daughter Funds" which in turn will provide risk capital to companies developing new technologies in the area of electronics, nano-electronics and Information Technology (IT). This fund is expected to foster R&D and innovation in these technology sectors. EDF enables creation of an ecosystem for providing risk capital to both industry and academia to undertake research and development in these technology areas. It will, in the process, enrich the intellectual property in the country and encourage more entrepreneurs towards product and technology development.

M/s. Canbank Venture Capital Funds Ltd. (CVCFL), a 100% subsidiary of Canara Bank, is the Investment Manager of EDF and is currently receiving applications/proposals from Venture Funds, Angel Funds and Seed Funds for commitment from EDF. Any Venture Funds/ Angel Funds/ Seed Funds which is registered in India and abides with relevant rules and regulations including the SEBI regulations on Venture Funds and is set up to invest in Electronics, nano-electronics and IT is eligible for support from EDF.The last date for approving of Daughter Funds for commitments from EDF is March 31st, 2017.

Electronics Development Fund was launched by Shri Ravi Shankar Prasad, Hon'ble Minister for Electronics & Information Technology on Feb 15th, 2016 in Mumbai. Twelve Daughter Funds have been approved for in-principle commitment of Rs 510 crore from EDF and four Daughter Funds are approved for final commitment of Rs 179 crore. The cumulative total corpus of these funds is around Rs 6800 crore.

The Contribution Agreement for subscription of Units of EDF proposed by the Investment Manager of EDF was forwarded to Department of Expenditure on 16.08.2016 for accord of approval. Based on the deliberations held among MeitY; Ministry of Finance and PMO, Department of Expenditure has forwarded the proposed contribution agreement to NITI Aayog for its comments. MeitY has provided the requisite information regarding EDF Policy to NITI Aayog. MeitY has also explained the details to

NITI Aayog in a meeting held on 11/10/2016 at NITI Aayog. Comments of NITI Aayog on draft contribution agreement have been received and are being examined. The comments of Department of Expenditure are still awaited.

In order to promote large scale manufacturing in the country, **a Modified Special Incentive Package Scheme (MSIPS)** was announced by the Government in July, 2012. Subject to certain conditions, the scheme provides incentives, by way of reimbursement, for investments in capital expenditure and reimbursements of CVD/excise for capital equipment. In July 2015, the government approved the extension and expansion of the MSIPS by (i) covering 15 more product categories, (ii) disbursement of incentives on a quarterly basis as against annual basis earlier; (iii) allowing MSIPS in any part of the country as against only in notified areas earlier and (iv) reckoning of incentives from date of application instead of date of approval. The scheme has been extended for a period of five years beyond July 2015. Based upon the deliberations held in PMO with Ministry of Finance; MeitY; DIPP and NITI Aayog, the revision of policy is under consideration.

The latest status of applications under MSIPS as on 31-10-2016 is as given below:

	As on 31st October 2016	
M-SIPS APPLICATION STATUS	**Nos.**	**Investment (Rs. crore)**
Applications approved	75	17,997
Applications closed	30	10,808
Applications recommended by AC	23	2,732
Applications under appraisal	115	95,301
Applications received	**243**	**1,26,838**

The above proposals are expected to generate direct and indirect employment opportunities of nearly 2,25,000 over the period of 7-8 years. Out of the 75 approved projects, 48 projects have rolled out and Commercial production started and 23 are in the process of achieving commercial production.

2. Conditional Access System (CAS) is a system used to limit the access of TV signals to only authorized viewers and forms an integral part of Set Top Boxes (STBs). A major impediment in design and development of domestic Set Top Boxes was identified as the license of Conditional Access System (CAS) players. Therefore, the need as well as an opportunity was felt to develop Indian CAS (iCAS) for boosting the development and manufacturing of Set Top Boxes in the country. In November, 2014, M/s. ByDesign India Pvt. Ltd., Bangalore, was selected and awarded the task for development and implementation of iCAS, in association with Centre for Development of Advanced Computing (C-DAC), with technical specifications that are best in class. The Development Stage of iCAS was successfully completed in November, 2015, within the specified time limit. The development of iCAS has enabled India to enter a niche market hitherto dominated by five big global companies. The iCAS is available to domestic STB manufacturers at a price of USD 0.5 per license for a period of three years as against

market price of USD 4-5 per license for other competing products. The implementation of iCAS in the cable networks has already started. The solution has been well received by Indian Operators at large. Around 1,50,000 of STBs and 40 Headends with iCAS have already been deployed across the country.

3. (i) To promote domestic manufacturing, differential excise duty dispensation made available to mobile handsets/ tablet computers has been extended to the specified electronic equipment. The differential excise duty dispensation made available to mobile handsets/ tablet computers has been extended to the following electronic equipment. However, these will be charged excise duty of 4% (without input tax credit) while Countervailing Duty (CVD) on imports shall be 12.5%:

(i) Routers
(ii) Broadband modems
(iii) Set-top boxes for gaining access to internet
(iv) Set-top boxes for TV
(v) Digital Video Recorder (DVR) / Network Video Recorder (NVR)
(vi) CCTV Camera / IP Camera
(vii) Lithium-ion batteries (other than those for mobile handsets including cellular phones)

(ii) As a result of the various initiatives taken by DeitY, production of electronic items in the country has witnessed significant growth. Based on industry estimates, the growth in production of selected electronic items is as under:

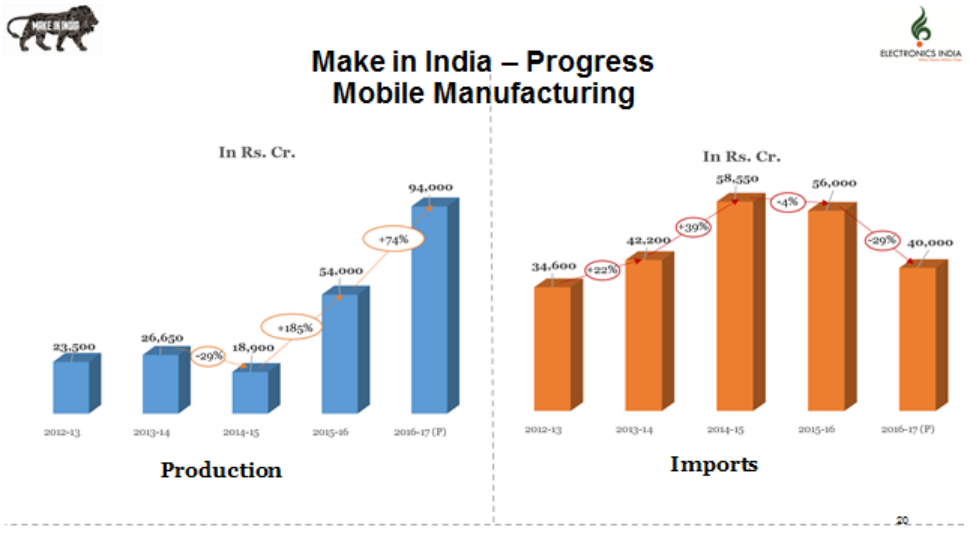
Production of **Mobile Handsets**:
- 2015-16: 110 Million Nos. valued at Rs.54,000 crore (Estimated)
- 2014-15: 60 Million Nos. valued at Rs.18,900 crore
- **Growth of 83%** in quantity terms

Production of **LCD/LED TVs**:
- 2015-16: 12.0 Million Nos. valued at Rs.21,000 crore (Estimated)
- 2014-15: 8.75 Million Nos. valued at Rs.16,200 crore
- **Growth of 37%** in quantity terms
- This segment has also witnessed a reduction in the average prices during this period.

Production of **Light Emitting Diodes (LEDs)**:
- 2015-16: Rs.3,590 crore (Estimated)
- 2014-15: Rs.2,172 crore
- **Growth of 65%**

(Estimated growth in investment, production and employment in mobile handsets manufacturing sector after the introduction of differential excise duty dispensation [Updated upto April 2016, Source: Indian Cellular Association (ICA)):

(iii) Due to differential excise duty dispensation which was enhanced to 11.5% in favour of domestic mobile handset manufacturers vis-a-vis imports in the Budget 2015-16, (from the earlier 5%), India has rapidly started attracting investments into this sector. The domestic production of mobile handsets witnessed a spectacular growth of approx. 185% in value terms in 2015-2016, compared to the production witnessed in 2014-2015. All major brands (both foreign and Indian) either have already set up their own manufacturing facilities or are in the process of doing so or have sub-contracted manufacturing to Electronics Manufacturing Services (EMS) companies operating from here. Approx. 40 new manufacturing units have already come up during 2015-2016 providing direct employment to approx.60,000 persons and indirect employment to approx.60000 persons. The total investments made by these companies to set up manufacturing capacities during 2015-16 is estimated at INR 400-450 crore. 15 new units established for manufacturing of components / accessory of mobile handsets providing employment to about 20,000 persons during the past 5-6 months. Mobile handset production in India estimated to grow to 500 million nos. by 2019-2020 with total employment potential for 15 lakh persons.



4. Electronics Manufacturing Cluster (EMC) Scheme

To provide support for creation of world class infrastructure for attracting investment in electronics manufacturing, Department is implementing Electronics Manufacturing Clusters (EMC) scheme. till date Ministry has received 49 applications (45 for Greenfield EMCs and 4 for setting up of Common Facility Centre (CFC) over an area of 7715 acres with project outlay of Rs. 8773 crore for seeking grant assistance of Rs. 3787 crore for creating world class infrastructure from 18 states across the country which in turn is expected to generate 10.86 Lakh employment opportunities.

Out of which, 12 Greenfield EMCs and 1 Common facility Centre (CFC) in Brownfield Cluster) with project cost of Rs. 1658 crore in ten states have been accorded final approval. (Andhra Pradesh-2, Chhattisgrah-1, Gujarat-1, Jharkhand-1, Kerala-1, Madhya Pradesh-2, Odisha-1, Rajasthan-1, West Bengal-2, Karnataka-1(CFC). These EMCs are poised to attract an investment of Rs. 33340 crore and will generate 1.78 lakh employment opportunities. As of now, an amount of Rs. 41.86 crore has been released as Government of India grant to five Greenfield EMCs at Badwai-Bhopal; Purva-Jabalpur-Madhya Pradesh; Bhiwadi- Rajasthan; Naya Raipur –Chhattigsrah; Bhiwadi-Rajasthan and Mundra Kutch District -Gujarat.

In addition,16 applications have been accorded in-principle approval (13 applications for Greenfield EMC and 3 applications for setting up of Common Facility Centre (CFC) in Brownfield EMC. For the time being, no fresh applications are being considered for accord of in-prinicple approval based upon the deliberations held in PMO in meeting with DIPP; NITI Aayog ; Ministry of Finance and MeitY.

Details of Applications accorded final approval:

S. No.	State	Location of EMC	Area (Acres)	Chief Promoter/SPV	Date of accord of final approval	Financial out lay (Rs. in crore)		Amount Released (Rs. in crore)
						Project Cost	GIA	
1	Andhra Pradesh	Chilamathur, Anantapur District	47.32	ELCINA RAAGA MAYURI Electronics Park Private Limited	04.02.16	52.13	23.00	
2	Andhra Pradesh	Village-Cherivi, Satyavedu Mandal, Chittor District	94	Sri City Pvt. Ltd.	20.07.16	56.75	27.34	
3	Chhattisgarh	Village-Tuta, Sector-22, Naya Raipur,Tehsil-Abhanpur, Raipur District	69.98	Chhattisgarh State Industrial Development Corporation ltd. (CSIDC)	07.01.16	89.23	43.08	8.62
4	Gujarat	Village-Tunda, Taluka- Mundra, District-Kutch	631.38	Mundra Solar Techno park Private Limited (MSTPL)	04.07.16	745.14	315.69	23.50
5	Jharkhand	Adityapur, Saraikela-Kharsawan District	82.49	Adityapur Industrial Area Development Authority (AIADA)	22.09.15	97.88	41.48	-
6	Karnataka (CFC)	Plot No. 360, KIADB Industrial Area, Hebbal, Hottagalli, Mysore	1.11	Mysore ESDM Cluster Private Limited	15.09.15	29.53	21.31	-

7	Kerala	Kakkanad Village,Kanayannur Taluk, Ernakulam District	66.87	Kerala Industrial Infrastructure Development Corporation (KINFRA)	24.08.16	140.01	50	
8	Madhya Pradesh	Badwai-Bhopal	50	Madhya Pradesh State Electronics Development Corporation Ltd.(MPSEDC)	25.08. 14	46.16	20.86	4.17
9	Madhya Pradesh	Purva-Jabalpur	40		25.08.14	38.01	17.76	3.55
10	Odisha	Infovalley at Bhubaneswar Industrial Area, Khurda District	203.367	Odisha Industrial development Corporation (IDCO)	05.09.16	200.76	93.09	
11	Rajasthan	SPL-1, Salarpur, Khushkera, Bhiwadi	50.3	ELCINA Electronics Manufacturing Cluster Pvt. Ltd (EEMCPL)	15.09.15	46.09	20.24	2.02
12	West Bengal	Sector-IV & V, Falta Industrial Centre, P.S Ramnagar, District South 24 Parganas	58.04	West Bengal Electronics Industry Development Corporation Limited (WEBEL)	04.02.16	58.86	26.52	
13	West Bengal	Naihati town, North 24 Parganas in district	70	West Bengal Electronics Industry Development Corporation Limited (WEBEL)	31.08.16	58.31	25.70	
	Total		**1464.86**		**1658.86**	**726.07**		**41.86**

5. Four Incubators for electronics start ups at Delhi-NCR; IIT-Patna ; IITM-Kerala and IIT-Hyderabad are being set up and innovation in ESDM Sector is also being promoted through BIRAC and GITA.

6. The policy for providing preference to domestically manufactured electronic products in Government procurement is under implementation. In this regard, the nine electronic products have already been notified by MeitY in furtherance of the policy. An Online Monitoring System "http://www.meity-pma.gov.in" has also been operationalised w.e.f. 27.01.2015 for reporting compliance to the Policy by Ministries / Departments of Government of India and their agencies.

7. The Ministry has projected the requirement of additional Rs. 300 crore for meeting the requirement of M-SIPS; EMC and EDF in the Revised Estimates.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF THE GOVERNMENT

-Nil-

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Position of Outstanding Utilization Certificates

(Recommendation Sl. No. 2)

The Committee note that a large number of Utilization Certificates (UCs) are pending with the implementing agencies in respect of various schemes of the Department. While a total number of 133 UCs amounting to Rs.276.64 crore are pending for the sanction period 1.04.2001 to 31.03.2014, for the sanction period from 1.04.2001 to 31.03. 2016, the number of UCs stand at 876 amounting to a huge sum of Rs.2435.81 crore. The Department have informed that out of the 133 UCs, 94 UCs amounting to Rs.266.82 crore (96%) of the pending amount pertain to the e-Governance scheme alone. Regarding reasons for such a large number of pending UCs, the Department have informed that e-Governance activities have a relatively longer gestation period due to stringent requirement including civil and electrical construction, hardware software development, business process reengineering, etc. Programme activities are undertaken by the Department in co-ordination with the State Governments. However, e-Governance is an emerging sector and availability of trained personnel is limited. In spite of maximum possible support to address the issues, the implementation of the NeGP projects have been impacted. The Committee also note that in order to reduce the number of UCs and hold the implementing agencies accountable, the Department have taken several measures which *inter alia* include insisting on submission of UCs before release of subsequent installment, accounting the unspent balance and interest before release of next installment, meeting of group co-ordinators concerned with grantee institutions, Secretary-level review of pending UCs from time to time, Quarterly review meetings of State IT Secretaries etc. The Department have also informed that UCs are submitted on the basis of GFR instructions and care is taken to ensure that accrued interest is accounted for. Though the Department have stated that they have been making earnest efforts to expedite implementation of various schemes and programmes, the non-release of money to several schemes due to non-submission of UCs points to the fact that UCs are acting as a hurdle in the effective implementation of the schemes. The Committee feel that the continuous pendency of UCs from the implementing agencies is an undesirable trend which needs to be avoided as it directly affects the performance of the schemes, especially e-Governance Schemes. The Department have been running several flagship schemes and programmes as per policy decision to achieve the targets within the stipulated time frame. However, as the UCs have a direct bearing on the release of funds, this affects the outcome of Government schemes and policies as a whole. The Department need to take the issue of pending UCs more seriously and workout a mechanism to procure the UCs from the implementing agencies. The Department's approach need to be more pragmatic and proactive rather than leaving it to the implementing agencies because

the ultimate onus of the successful implementation of the schemes and thereby the policy decision of the Government lies with the Department.

Reply of the Government

The Committee has rightly said that UCs have a direct bearing on the release of funds which affects the outcome of Government schemes and policies as a whole. This is the reason why the Department is vigorously making efforts for obtaining the pending UCs through one-to-one meetings with defaulting agencies. The Project Review and Steering Group (PRSG) has been reviewing the projects from time to time to ensure that no project is delayed or remain unimplemented due to non-release of grants in view of pending UCs, etc.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Comments of the Committee
(Please see Para No. 11 of Chapter I)

Promotion of IT & ITeS Industries

(Recommendation Sl. No. 16)

The Committee note that the Indian Information Technology (IT) - Information Technology Enabled Services (ITES) sector has registered tremendous growth over the past decade, achieving iconic status all over the world, and a reputation for reliable and cost-effective delivery of IT services. India continued as the world's no. 1 sourcing destination with a share of 56% in 2015. India's share in the global IT services outsourcing and ITES/BPO has reached upto 67% and 38%, respectively. It is essential to maintain this momentum because of the huge potential of IT-ITES sector in terms of economy as well as employment generation. Under the broad framework of promotion of IT & ITeS industries initiative, the Software Technology Parks of India (STPI) had been set up in the year 1991 with the objective to promote the development and export of software and software services, including information technology enabled services/ Bio-IT, to provide statutory and other promotional services to exporters through Software Technology Parks and the Electronics and Hardware Technology Parks (EHTP) schemes. The phenomenal success of the IT-ITES industry has been possible, inter-alia, due to the pivotal role played by the STP Scheme and fiscal benefits provided under Section 10A of the Income Tax Act. The fiscal benefits were available upto 31-03-2011. The Committee are given to understand that non-availability of Income Tax benefits under Section 10A of IT Act beyond 01.04.2011 for STP units has adversely affected the competitive edge of these units, especially with respect to the Micro Small and Medium Enterprise (MSME) units. In the absence of tax benefits, the registration of new STP units has decreased and the number of STP units exiting/de-bonding from the STP Scheme has increased year-on-year. As a result, the total number of exporting STP units has been reduced to almost 50% from 5565 STP units in 2010-11. The above fact has further been corroborated by the representatives of the Department and STPI, Bhubaneswar, when the Committee had undertaken a study visit to STPI, Bhubaneswar. The Committee are given to understand that a study had been conducted by M/s. Deloitte in 2012 to assess the impact of withdrawal of Income Tax benefit and suggest

the way forward to mitigate the impact of withdrawal of tax benefit (Section 10A of IT Act) to STP units. The study had recommended Performance Linked Incentive Scheme for STP Units to mitigate this impact. As the matter regarding incentive to mitigate the impact of withdrawal of tax benefit for STPI was taken up through EFC, the Planning Commission (erstwhile) had taken the view that the appropriate route is through Income Tax exemptions which, if the Govt so wish, can be brought in during the Budgetary Exercise. However, no GBS should be provided for export incentives as it would lead to multiple demands since the exchange rate provides enough incentives. In line with the above suggestion, DeitY had taken up the matter regarding restoration of fiscal incentive to new STP units for a period of 5 years through Income Tax exemption under Section 10 A of the Income Tax Act in 3 Union Budgets repeatedly but the proposal has not been agreed to. The Committee observe that the withdrawal of fiscal benefits have adversely affected the small and medium businesses. During the year 2016-17, as against the proposed outlay of Rs.543 crore, an allocation of Rs.5 crore has been made at the BE stage 2016-17 for this scheme. Owing to reduction of funds and its likely impact on the achievement of targets under the scheme, the Department have stated that the BPO Promotion Schemes approved under the Digital India Programme are based on reimbursement of capex towards viability gap funding. However, the budgeting issue may impact the objectives (Employment Generation and growth of IT/ITeS sector in non-metro locations) of the BPO Promotion Schemes under the Digital India Programme. The matter is proposed to be taken up with the Ministry of Finance seeking additional funds for this purpose. Considering that the STP Scheme is a unique scheme, designed to promote the software industry, including innovations and growth of Start-Ups and SMEs without any location constraints, the Committee feel that the Department should come out with some alternative to incentivize STP units to help them sustain in business and meet the challenges from SEZs.

Reply of the Government

Considering scarcity of funds for India BPO Promotion (IBPS) and North East BPO Promotion Scheme (NEBPS) iunder "Promotion of IT/ITES Industries" programme because of the meagre allocation of 5 crore in BE 2016-17, Ministry of Finance has been requested for allocating additional funds in the Revised Estimates 2016-17. However, as per the Pre-Budget discussions held under the chairmanship of Secretary(Expenditure) on 27.10.2016, no additional grant is likely to be allocated in Revised Estimates 2016-17.

As regards providing incentive to STP units to help them meet the challenges from SEZs, the matter has again been taken up with Department of Revenue, M/o Finance who has provided their comments vide OM no DGEP/EOU/IMSC/30/2013/3186 dated 03.06.2016, which inter-alia includes:

> "The EOU Scheme and the SEZ Scheme are both export promotion schemes but are based on totally different concepts. Any business entity is free to opt for any exported promotion scheme i.e. either EOU or SEZ and thereafter seek the benefits available therein. Cherry-picking of benefits cannot be accepted."

However, The "Startup India" Programme launched by M/o Commerce and Industry, provides income-tax exemption for 3 years to "Startup", an entity which is up to

5 years from the date of its incorporation/ registration, and if its turnover for any of the financial years has not exceeded INR 25 crore.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

Comments of the Committee
(Please see Para No. 14 of Chapter I)

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES ARE OF INTERIM IN NATURE

National Informatics Centre (NIC)

(Recommendation Sl. No. 4)

The National Informatics Programme of the Department is for providing national IT infrastructure to facilitate ushering in "e-Governance" applications at all levels of Government. NIC provides ICT support to Government Ministries/Departments. Currently, NICNET has more than 70,000 end users; the data centres of NIC host more than 7000 websites of the Government and it has the largest e-mail service in the country. The NIC National cloud hosts a large number of critical applications and has target e-mail service of the country with more than 220 million e-mails per month. The Committee note that during the year 2014-15, NIC had been provided with Rs.800 crore at BE and RE stage, out of which the Actual Expenditure was Rs. 779.56 crore. During the year 2015-16, the allocation for NIC was reduced to Rs.700 crore which was subsequently increased to Rs.800 crore and the Actual Expenditure has been 87.5% of RE. Regarding challenges faced by NIC, the Department have informed that NIC's main focus is on providing the latest state of-the-art ICT infrastructure and in this effort, shortage of manpower, shortage of building and sitting capacity are major constraints. Considering the massive IT requirement for States and District services, it is increasingly becoming difficult to sustain the number of projects with the same manpower and reduced budget. The Committee also note with concern that NIC has to accommodate their increasing activities in a reduced manner. Further, on the issue of manpower requirement, the Committee observe that NIC had got a study conducted to estimate manpower requirement and, as per this study, NIC has a requirement of 1407 posts at different levels. A proposal had been mooted for creation of 1407 posts across different levels to meet the e-Governance requirements of NIC. The Committee, in their Sixth Report on Demands for Grants (2015-16), had recommended to the Department to expedite the above proposal and get these posts created at an early date to meet their manpower requirement. The Committee are, however, concerned to note that even after a lapse of more than a year, the proposal has not materialized and is still under consideration for inter-Ministerial approval. The Committee feel that NIC being the backbone of the ICT infrastructure of the country, it is very much essential that their manpower and infrastructure needs are given due attention. This assumes added significance in the light of the fact that the Digital India Programme and National e-Governance are on the top of the agenda of the Government. The Committee, therefore, recommend that the proposal for creation of posts for NIC which is under inter-Ministerial consultation, be expedited and the manpower issue of NIC resolved.

Reply of the Government

The proposal for creation of posts for NIC was examined in the Ministry and some queries relating to this proposal were forwarded to NIC for necessary clarification. NIC has recently forwarded replies/clarifications to the Ministry and the same are being examined further.

(Ministry of Electronics and Information Technology, O.M. No. 2(1)/2016-Budget dated 05.12.2016)

New Delhi;
15 December, 2016
24 Agrahayana, 1938 (Saka)

Anurag Singh Thakur,
Chairperson,
Standing Committee on
Information Technology.

Annexure-I

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2016-17) HELD ON 15TH DECEMBER, 2016

The Committee sat on Thursday, the 15th December, 2016, from 1515 hours to 1600 hours in Committee Room 'B', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Anurag Singh Thakur- Chairperson

MEMBERS

Lok Sabha

2. Shri L. K. Advani
3. Shri Prasun Banerjee
4. Dr. Sunil Baliram Gaikwad
5. Shri Virender Kashyap
6. Shri Keshav Prasad Maurya
7. Dr. K.C. Patel
8. Shri Raosaheb Danve Patil
9. Shri Abhishek Singh
10. Shri Ramdas C. Tadas

Rajya Sabha

11. Smt. Jaya Bachchan
12. Shri P. Bhattacharya
13. Shri Suresh Gopi
14. Smt. Kahkashan Perween
15. Dr. K.V.P. Ramachandra Rao

SECRETARIAT

1.	Shri R. S. Kambo	-	Additional Secretary
2.	Shri Y. M. Kandpal	-	Director
3.	Dr. Sagarika Dash	-	Additional Director
4.	Smt. Reena Gopalakrishnan	-	Deputy Secretary
5.	Shri Shangreiso Zimik	-	Under Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee convened to consider and adopt the following four Draft Action Taken Reports:-

I. xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..;

II. xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..;

III. Action Taken Report on the Twenty-fifth Report on 'Demands for Grants (2016-17)' of the Ministry of Electronics and Information Technology; and

IV. xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..xxxxx……..;

3. The Committee, thereafter, took up for consideration the above Reports and after due deliberation adopted the same without any modification.

4. The Committee, then, authorised the Chairperson to present the Action Taken Reports to the House during the current session of Parliament.

The Committee, then, adjourned

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…..xxxxx Matter not related to the Report.

Annexure-II

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/ RECOMMENDATIONS CONTAINED IN THEIR TWENTY-FIFTH REPORT (SIXTEENTH LOK SABHA)

[Vide Paragraph No. 5 of Introduction]

(i) Observations/Recommendations which have been accepted by the Government

Para Nos.:- 1, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15

Total 13

Percentage 81.25

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government

Para No.:- Nil

Total Nil

Percentage 0.00

(iii) Observations/Recommendations in respect of which replies of the government have not been accepted by the Committee and require reiteration

Para Nos.:- 2 and 16

Total 02

Percentage 12.5

(iv) Observations/Recommendations in respect of the reply which is of interim nature

Para Nos.:- 4

Total 01

Percentage 6.25